



<b>Policy, Finance and Development Committee</b>	<b>Tuesday, 27 December 2022</b>	<b>Matter for Information and Decision</b>
--	--------------------------------------	--

**Report Title:** **Budget Monitoring (Q4 2022/23)**

**Report Author(s):** **Bev Bull (Head of Finance / Deputy Section 151 Officer)**

<b>Purpose of Report:</b>	To provide the Committee with an update on the Council's draft outturn position for the General Fund, HRA and Capital Programme for the financial year 2022/23
<b>Report Summary:</b>	<p>The position for the year on the General Fund is a deficit of £439k compared to a revised budgeted balance position using £324k of earmarked reserves including approved carry forwards from 21/22.</p> <p>The position for the year for the HRA is a total deficit of £119k, compared to the budgeted position of £50k deficit to be met from the HRA reserve.</p> <p>The position for the year in respect of the capital programme is a total spend of £4.643m against a revised budget of £5.521m, with £793k required to be slipped into 2023/24 and net underspends of £85k.</p>
<b>Recommendation(s):</b>	<b>That the Committee note the contents of the report and appendix.</b>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	<p>Sal Khan (Interim Strategic Director / Section 151 Officer) (0116) 257 2690 <a href="mailto:sal.khan@oadby-wigston.gov.uk">sal.khan@oadby-wigston.gov.uk</a></p> <p>Bev Bull (Head of Finance / Deputy Section 151 Officer) (0116) 257 2649 <a href="mailto:bev.bull@oadby-wigston.gov.uk">bev.bull@oadby-wigston.gov.uk</a></p> <p>Rashpal Sohal (Finance Manager) (0116) 257 2705 <a href="mailto:rashpal.sohal@oadby-wigston.gov.uk">rashpal.sohal@oadby-wigston.gov.uk</a></p>
<b>Strategic Objectives:</b>	Our Council (SO1)
<b>Vision and Values:</b>	"Our Borough - The Place To Be" (Vision)
<b>Report Implications:-</b>	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out in this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Economy / Regeneration (CR9)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable

Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	None.
<b>Appendices:</b>	<b>1. Capital Programme (2022/23) (To Follow)</b>

## **1. Introduction**

- 1.1 In February 2022, the Council approved its budgets for the General Fund Revenue, HRA and Capital Programme for 2022/23.
- 1.2 There have since been approved changes to the General Fund Capital Programme. The Changes were approved to facilitate additional fleet requirements and the Council accommodation move to Brocks Hill. At quarter 3, slippage of the capital programme into 2023/24 was reported, resulting in the revised capital programme budget for 2022/23.
- 1.3 As reported in previous budget monitoring reports for 2022/23 the economic conditions in the UK worsened throughout the year.
- 1.4 This report also provides an update on the full year actual costs of the Cost of Living support proposals approved by Full Council in November 2022.

## **2. Financial Overview**

- 2.1 The draft outturn position for the General Fund Revenue is a £439k overspend, in the region of 6% of the council's overall net revenue spend budget. This compares to a forecast £425k overspend reported at Quarter 3. The main cause of the overspend relates to pay inflation for implementing the national pay award and reduced management fee from the Leisure Centre Operator.
- 2.2 On the Housing Revenue Account, the draft outturn position is a deficit of £119k, this compares to an original budgeted deficit of £50k. The outturn position has improved since the Q3 reported position of a forecast deficit of £294k. The main reason for the movement in the draft outturn from the Q3 forecast is a reduction in repairs and maintenance costs due to being able to capitalise some major void costs.
- 2.3 The capital programme outturn for 2022/23 shows actual spend of £4.643m against a £5.521 revised budget, with £793k required to be slipped into 2023/24, representing 14% of the revised budget.
- 2.4 Inflationary pressures continue to affect all services across the Council such as substantially increased costs for contracts, utility costs, fuel, supplies and services, building material and repair costs.

### 3. Cost of Living Support Update

3.1 At the Full Council Meeting on 15 November 2022 funds were identified for specific proposals to provide support to residents and businesses through the Cost-of-Living crises. Table 1 shows the value of awards in 2022/23 for each approved support proposal.

**Table 1 – General Fund Cost of Living Support**

Area	Upper Value	Actual	Remaining Grant
Top up DHP with £50,000 of Council funding	£50,000	£15,389	£34,611
Top up the Council funded Discretionary Council Tax Support Fund	£5,000	£5,000	£0
Support and promote public-sector partner-led "Warm Hubs"	£5,000	£5,000	£0
Consider and action requests for support from 3 <sup>rd</sup> sector partners	£10,000	£8,188	£1,812
Residual funds – ability to be drawn down by the Strategic Director/Section 151 Officer in consultation with the PFDC Chair, for additional needs identified	£10,000	£4,685	£5,315
<b>Total General Fund Cost of Living reserve</b>	<b>£80,000</b>	<b>£38,262</b>	<b>£41,738</b>

**Table 2 - HRA Cost of Living Support**

Area	Upper Value	Actual to Date	Remaining Grant
Create a new £10,000 HRA Hardship Fund for supporting Council Tenants	£10,000	£0	£10,000
Residual funds – ability to be drawn down by the Strategic Director/Section 151 Officer in consultation with the PFDC Chair, for additional needs identified	£20,000	£0	£20,000
<b>Total HRA Cost of Living reserve</b>	<b>£30,000</b>	<b>£0</b>	<b>£30,000</b>

3.2 The HRA schemes were launched, no applications were received that met the scheme criteria and applicants were able to be signposted to other agencies for support.

3.3 The allocations that remained unspent have been transferred back to the earmarked reserves they were originally funded from.

### 4. General Fund Outturn 2022/23

4.1 Table 3 below sets out the draft General Fund Revenue Outturn Position for 2022/23 of £439k overspend compared to the current revised budget.

**Table 3 – General Fund Outturn 2022/23**

<b>Service</b>	<b>Budget 2022/23</b>	<b>Revised Budget 2022/23</b>	<b>Actual</b>	<b>Variance</b>
	£	£	£	£
<b>Senior Leadership Team</b>	427,730	427,730	445,235	17,505
<b>Covid 19 Funding</b>	0	174,826	177,599	2,773
<b>Finance &amp; Resources (Including Corporate Budgets)</b>	2,344,683	2,389,529	2,420,635	31,107
<b>Law &amp; Democracy</b>	654,170	656,670	645,744	(10,926)
<b>The Built Environment</b>	897,020	740,599	783,967	43,368
<b>Community &amp; Wellbeing</b>	(10,643)	65,616	320,065	254,449
<b>Waste Services</b>	1,050,370	1,055,370	1,128,622	73,252
<b>Customer Service &amp; Business Transformation</b>	1,604,896	1,661,578	1,666,567	4,988
<b>HRA Recharge</b>	(1,240,435)	(1,240,435)	(1,306,176)	(65,741)
<b>Capital Financing</b>	679,800	679,800	687,991	8,191
<b>Net Revenue Expenditure</b>	<b>6,407,591</b>	<b>6,611,283</b>	<b>6,970,249</b>	<b>358,966</b>
<b>Earmarked reserves</b>	(125,272)	(323,964)	(323,964)	0
<b>General Fund Supplementary</b>		(5,000)	(5,000)	0
<b>Funding</b>	(6,282,319)	(6,282,319)	(6,202,291)	80,028
<b>Budget Deficit/(Surplus)</b>	<b>0</b>	<b>(0)</b>	<b>438,994</b>	<b>438,994</b>

4.2 The remainder of Section 4 provides explanation of the main variances for each Service Area.

**Senior Leadership Team (SLT) – Overspend (£18k).**

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Inflation – Pay	10	Actual pay award 2022/23 greater than budgeted.
SLT	8	Salary oncosts greater than budgeted.
<b>Total</b>	<b>18</b>	

**Finance and Revenues and Benefits – Overspend (£31k).**

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Inflation – Pay	51	Actual pay award 2022/23 greater than budgeted.
Finance	(78)	£13k underspend on Civica software due to a credit being received in relation to the previous year. £65k net income achieved regarding Bushloe Developments.

Insurance	33	Insurance renewed in September each year was not in line with previous growth rates due to economic market conditions.
Net Cost of Benefits	57	Underachieved income as level of benefit overpayments raised was less than budgeted. There has been minimal movement since the Q3 forecast.
Revenues & Benefits	142	Agency costs to cover vacancies to deliver statutory service. Some agency resources were required to deliver additional work required by central government and costs were off set with New Burdens Funding (see the line below). The Revenues and Benefit Service restructure has now concluded and recruitment to permanent positions is complete. This will mitigate the use of agency staff in the future.
New Burdens – Revenues and Benefits	(159)	Unbudgeted New Burdens Grants received in year for additional workload required by central government.
Council Tax	(15)	Actual Court Cost income received exceeding budget by £15k.
<b>Total</b>	<b>31</b>	

#### **Law & Democracy – Underspend (£11k).**

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Inflation – Salary	30	Actual pay award 2022/23 greater than budgeted.
Election Expenses	(74)	£48k salary savings in relation to the vacant Democratic Services Manager post being merged with another post and now filled by the Legal and Democratic Services Manager and Deputy Monitoring Officer. £23k over achieved income on election expenses claimed compared to budget. There was small underspend of £3k on computer software.
Register of Electors	(16)	Postage and printing saving. Postage and printing needs fluctuate depending on demand which is impacted on by the election cycle.
Legal & Admin Service	(6)	Legal costs of £25k incurred in relation to works in default at a premises in Long Street. The court hearing was in favour of the council and cost will be recovered but the timing is unknown. This is being offset by £43k compensation received and due arising from an historic fraud case. £9K underachieved income due to less chargeable work undertaken in the year and £3k net overspends on other areas.

Taxi Licences	17	Underachieved income on taxi licences against budget. Income was higher than previous year.
Licensing Service	47	£80k under achievement of Private Landlord Property Licence, offset by £29k capitalisation of salary costs for work on the decarbonisation capital schemes and a £4k net underspend on other areas.
Other	(9)	
<b>Total</b>	<b>(11)</b>	

### The Built Environment – Overspend (£43k).

Service	Variance £'000	Reason for Variance
Inflation – Salary	50	Actual pay award 2022/23 greater than budgeted.
Economic Development	(87)	Vacancy savings and capitalisation of salary cost for posts involved in delivering capital projects. Forecast underspend increased by £20k from Q3 position.
Planning Policy, Planning Control & Planning Section	71	Currently there are national recruitment difficulties for planners, and some vacant positions have needed to be filled by agency staff in order to maintain the service. However, during Q3 and Q4 permanent recruitments have taken place to replace agency staff. Since the Q3 forecast savings and increase in income have occurred of £22k in planning fees, £9k underspend in regeneration projects and £13k of vacancy savings and capitalisation of salaries.
Homelessness	(15)	In Q4 there was a catch up of Q3 Housing Benefit Payments which almost breaks even with emergency accommodation costs at the end of the year. There was further grant 'Homes for Ukraine' £54k received at end of year which further decreased overspend on salaries not provided for in 2022/23 budget (provided for in 23/24 budget onwards). Non-renewal on a lease of temporary accommodation property. There was further increase in income from 3rd party properties (Orchard Property Group) of around £30k from Q3 forecasts.
Belmont House Hostel	24	Reduction in Housing benefit income due to reduction in occupancy during the pandemic. The hostel is back to full occupancy, as of the end of Q3. This has increased income by £12k since Q3.
		Other
<b>Total</b>	<b>43</b>	

### Community & Wellbeing – Overspend (£254k).

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Inflation – Pay	51	Actual pay award 2022/23 greater than budgeted.
SLM contractual variance	202	The contract has been operating on an open book basis throughout the year. This has resulted in loss of income against the budget.
Cemeteries	41	Under achievement of income due to reduced usage compared to budget and previous year.
Car Parks	(38)	Transactional fees and other running costs of scheme are exceeding budget. There have been some fees relating to car parking that were higher than budgeted (NPU Levy £10k higher than budget, Metric fees of £10k not budgeted). This is being offset by increased income generated by a higher level of usage than anticipated.
Grounds Maintenance	25	Recharge to housing for ad hoc work in-year was not achieved and there was overspend on ground maintenance operative salary costs.
Structural Maintenance	(8)	Underspend due to less repairs of building and repairs of play areas than budgeted.
Public Convenience	(14)	Refund on business rates.
Other	(5)	-
<b>Total</b>	<b>254</b>	

### Waste Service – Domestic, Recycling & Green Waste Overspend (£73k).

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Inflation – Pay	61	Actual pay award 2022/23 greater than budgeted.
Inflation – Diesel	62	Overspend in diesel costs for fleet – The fuel market is volatile and continues to fluctuate – the actual spend was £6k under the forecast position at Q3.
Domestic Refuse Collection	(14)	Mainly due to underspend in salaries and agency costs. Actual cost of agency lower than initially forecasted due to improved staffing levels & reduced sickness absences. Additional reliance on agency to cover long term sickness which has now been resolved.
Recycling Collection	9	Overspend on salary and agency costs due to staffing levels and sickness. Partially off-set by the ceasing of the public cleansing recharge.
White Goods Collection Service	(10)	There has been an increase in white goods collection income this year compared to budget.

Garden Waste Collection	(36)	There has been an increase in garden waste collections permits sold this year, resulting in additional income.
Garden Waste Collection	(12)	There has been savings on photocopier and printer costs for this financial year.
Workshop – Repairs and Maintenance	26	There were £15k costs to repair damage to the workshop which was not covered by insurance. There was further £16k overspend for buy in of specialist services required annually. This cost has been provided for in the 23/24 budget onwards. Further savings of £5k from Q3 on various budget areas.
Travel and Expenses	(9)	There has been savings on travel and expenses for this financial year.
	(4)	Other
<b>Total</b>	<b>73</b>	

### Customer Services and Transformation – Overspend (£5k).

Service	Variance £'000	Reason for Variance
Inflation – Salary	48	Actual pay award 2022/23 greater than budgeted.
Human Resources	(29)	Underspend due to HR team vacancies throughout the year, HR Manager now in post and team at establishment at the end of February 23.
Communications and Marketing	(11)	Service responsibilities and budgets moved into Communications and Marketing. Service towards end of the year. The needs are being reviewed and budgets realigned in 2023/24.
Head of Customer Services & Transformation	(16)	Salary saving due to change in personnel
Customer Services Improvement	(73)	Salary saving for the first quarter of the year when the Customer Service Improvement Manager position was vacant. The post has now been filled. The remainder £50k costs are in relation to supporting transformation is to be capitalised under flexible use of capital receipts.
ICT	87	Overspend in relation to corporate networking and increase in council wide software costs. This has been reflected in 23/24 budget onwards.
	(1)	Other
<b>Total</b>	<b>5</b>	

### HRA Recharges – Over-achieved (£66k)

Service	Variance £'000	Reason for Variance
---------	-------------------	---------------------



HRA Recharge	(66)	Corporate Management Recharge to General Fund increased to include HRA Pension Lump sum which is paid through General Fund.
--------------	------	---

### Capital Financing - Overspend (£8k)

Service	Variance £'000	Reason for Variance
Debt Charges	8	Overspend on interest costs on short term borrowing resulting from increased interest rates due to the current economic climate. Forecast overspend has reduced since previous forecasts as less borrowing was required due to capital programme slippage.

### Funding – Underachieved (£80k)

Service	Variance £'000	Reason for Variance
Business Rates	(80)	This is a result of an increase in levy payment in 2022/23. The increase in levy payment is due to business rates retained for the year being higher than budgeted, however due to the complexities of the business rates system the benefit of the higher business rates achieved will not be recognised until future years.

## 5. General Fund Reserve Balance

- 5.1 The General Fund reserve after the repurposing of earmarked reserve completed at quarter 2 and quarter 3 was £1.925m, with the overspend of £439k needing to be funded from the general fund reserve, the closing balance as at 31 March 2023 is £1.486m.
- 5.2 Whilst this is in line with the quarter 3 forecast and the MTFP assumptions, it is important to remind members of the MTFP position. Which is that after taking into account the budgeted gap of £431k for 2023/24, the forecast balance for the General Fund reserve as at 31 March 2024 is £1.047m. This is considered low and outside safe tolerance levels.
- 5.3 At this stage, this does not consider the potential additional funding that will flow to the council as a result of the distribution of the accumulated funds within the business rates pool. This funding will present an opportunity to increase reserves on the basis that the funding is to be utilising to fund growth related activity the council has already funded. The value currently remains unconfirmed pending discussions between all councils in Leicestershire.
- 5.4 Even with the potential bolstering of the general fund reserve from the accumulated funds within the business rates pool, it is the ongoing budget gaps that need to be addressed at pace. It is imperative that SLT and members focus urgently on addressing the financial challenge.

## 6. Housing Revenue Account (HRA)

6.1 The position on the account as the end of Quarter 4 is set out in the Table below.

**Table 4 - HRA Budget Monitoring 2022/23**

	<b>Original Budget 2022/23</b>	<b>Actual 2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Net Cost of Services on the HRA	(575)	(395)
Capital Charges	625	514
Revenue Contributions to Capital Appropriations to Earmarked Reserves	0	0
	50	119

Actual Balance b/f HRA a/c	(1,139)	(1,155)
Budget Deficit in the Year	50	119
Balance c/f HRA a/c	(1,089)	(1,036)

6.2 The Housing Revenue Account has a deficit of £119k as at end of year compared to a budgeted deficit of £50k. The explanation of the £69k variance are detailed below.

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Council Tax on Void Properties	(5)	Council tax on void properties is £5K lower than budgeted as the HRA received a refund for the overpayment of prior year bills.
Rents and Service Charges	(18)	There has been an increase in income of £9K from service charges for leasehold flats as a result of increases to the management and caretaker charges. We have also received an additional £9K in rental income from dwellings.
Major Repairs Contribution	173	This is calculated based on the asset values and useful life as 31 March 2023, as required by accounting regulations. The contribution is taken to the Major Repair Reserve to fund major repairs capital expenditure.
Provision for Bad Debts	(78)	The assessment of the level of bad debt provision required at 31 March 2023 has resulted in a small amount being released from the provision compared to the budgeted position requiring a £75k contribution to the reserve.
Computer Software	46	There has been increased costs as a result of our move to a managed service for our Housing IT system of £46K. However, the move to a managed service will deliver improvements in the effective use of the IT system, which in turn will result in efficiencies in terms of staff time.

Corporate Management Contribution	66	The Corporate Management Recharge to GF increased by £66K. £50K is the HRA Pension Lump sum and the remainder is due to increased support service costs.
Compensation	8	Compensation amounting to £8K paid for 2 housing disrepair claims. It is usual that Council's managing a housing stock have to pay legal fees and compensation on occasion. However, historically there has been no budget allocated for this which has led to the impact on the variance. This has been rectified in 23/24.
Resident Involvement	(12)	The costs of delivering the planned tenant involvement work were not as high as provided for in the budget, creating a saving of £6K. In addition, income of £6K was received from DLUHC for work related to Tenant Satisfaction Measures which will commence in 23/24.
Housing Tenancy Management posts	10	Agency staff spend due to difficulty experienced in recruiting for the vacant Community Housing Officer posts.
Communal Heating Charges	70	Gas prices have substantially increased from October 2022 onwards with the energy bill reduction scheme reducing some of our costs. Income from heating charges for all 3 schemes was not enough to cover our costs. Quarterly reviews are to be undertaken in 2023/24 to ensure our costs are being covered.
Communal Areas	9	Sharp increase in electricity charges for the year (£19K). Off set by savings of £10K from day-to-day repairs and maintenance of speech call and other systems at our sheltered schemes.
Repairs & Maintenance	(91)	Underspend as fewer voids and planned work completed offset by overspends in responsive and gas servicing repairs.
Capital Charges	(111)	This favourable movement in interest costs is based on our capital programme and current borrowing requirement, which will not reach the levels budgeted for.
	2	Other
	<b>69</b>	

## 7. Capital Programme

7.1 Table 5 shows a summary of the 2022/23 capital programme, and the full capital programme is shown in Appendix 1 including explanations of the variances.

### Table 5 – Capital Programme Summary

<b>Fund</b>	<b>Revised Budget 2022/23</b>	<b>Final Outturn</b>	<b>Variance to Budget</b>
	£'000	£'000	£'000
General Fund	4,483	3,737	(746)
Housing Revenue Account	1,038	906	(132)
<b>Total</b>	<b>5,521</b>	<b>4,643</b>	<b>(878)</b>

7.2 The capital programme outturn for 2022/23 shows actual spend of £4.643m against a £5.521 revised budget, with £793k required to be slipped into 2023/24, representing 14% of the revised budget. The remainder of the variance represents net underspends of £85k across the capital programme.